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STUDENT REPORT

COMPARISON OF MILITARY AND FEDERAL
CIVILIAN EMPLOYEE PERMANENT CHANGE
OF STATION (PCS) REIMBURSEMENTS

MAJOR LOUIS R. GENTILE 86-0970

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REPORT NUMBER 86-0970

TITLE COMPARISON OF MILITARY AND FEDERAL CIVILIAN EMPLOYEE
PERMANENT CHANGE OF STATION (PCS) REIMBURSEMENTS

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Submitted to the faculty in partial fulfillment of
requirements for graduation.

AIR COMMAND AND STAFF COLLEGE
AIR UNIVERSITY
MAXWELL AFB, AL 36112

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE

REPORT DOCUMENTATION PAGE

1a. REPORT SECURITY CLASSIFICATION UNCLASSIFIED		1b. RESTRICTIVE MARKINGS A169362	
2a. SECURITY CLASSIFICATION AUTHORITY		3. DISTRIBUTION/AVAILABILITY OF REPORT STATEMENT "A" STATEMENT "A" Approved for public release; Distribution is unlimited.	
2b. DECLASSIFICATION/DOWNGRADING SCHEDULE		5. MONITORING ORGANIZATION REPORT NUMBER(S)	
4. PERFORMING ORGANIZATION REPORT NUMBER(S) 86-0970		7a. NAME OF MONITORING ORGANIZATION	
6a. NAME OF PERFORMING ORGANIZATION ACSC/EDCC	6b. OFFICE SYMBOL (If applicable)	7b. ADDRESS (City, State and ZIP Code)	
6c. ADDRESS (City, State and ZIP Code) Maxwell AFB, AL 36112-5542		8b. OFFICE SYMBOL (If applicable)	
8a. NAME OF FUNDING/SPONSORING ORGANIZATION	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	10. SOURCE OF FUNDING NOS	
8c. ADDRESS (City, State and ZIP Code)	PROGRAM ELEMENT NO	PROJECT NO	TASK NO
11. TITLE (Include Security Classification) COMPARISON OF MILITARY AND FEDERAL	12. PERSONAL AUTHOR(S) Gentile, Louis R., Major, USAF	WORK UNIT NO	
13a. TYPE OF REPORT	13b. TIME COVERED FROM _____ TO _____	14. DATE OF REPORT (Yr., Mo., Day) 1986 April	15. PAGE COUNT 77
16. SUPPLEMENTARY NOTATION ITEM 11: CIVILIAN EMPLOYEE PERMANENT CHANGE OF STATION (PCS) REIMBURSEMENTS			
17. COSATI CODES FIELD GROUP SUB GR		18. SUBJECT TERMS (Continue on reverse if necessary and identify by block number)	
19. ABSTRACT (Continue on reverse if necessary and identify by block number) A 1984 survey showed that, excluding home ownership costs, military members absorb approximately 75 percent of out-of-pocket costs involved in a PCS move. Many of the same type costs being absorbed by military members are reimbursable to federal civilian employees. This study examines the historical development of authorized PCS reimbursements for both federal civilian employees and military members, compares currently authorized reimbursements for employees and service personnel, and estimates the incremental cost to DOD to provide the same reimbursements to military members as are currently authorized for federal employees.			
20. DISTRIBUTION AVAILABILITY OF ABSTRACT UNCLASSIFIED		21. ABSTRACT SECURITY CLASSIFICATION UNCLASSIFIED	
22a. NAME OF RESPONSIBLE INDIVIDUAL ACSC/EDCC Maxwell AFB, AL 36112-5542		22b. TELEPHONE NUMBER (Include Area Code) (205) 293-2483	22c. OFFICE SYMBOL

PREFACE

Military members are required to move themselves and their families many times during the course of their military careers. These frequent moves impose a significant financial burden upon the members and their families. Although current legislation authorizes a combination of in-kind services and/or reimbursements to the member, these authorizations fall short of covering many costs members incur during a permanent change of station (PCS). Federal civilian employees, however are authorized reimbursements that are much more adequate than those authorized for military members. This study deals with the various PCS reimbursements authorized for military members and federal civilian employees. Its purpose is to provide an historical overview of authorized reimbursements for employees and military members, compare currently authorized allowances for employees and military members, and to estimate the cost of providing military members with allowances similar to federal civilian employees.

This study will be submitted to HQ USAF/DPXEC to provide background and cost data for their use in developing PCS initiatives for military personnel. It will also be submitted to the faculty of Troy State University in Montgomery in partial fulfillment of requirements for the Master of Business Administration degree.

The author is indebted to a number of people for their help in this project. Specifically the author appreciates the assistance of: Mr Chris Glaude, Ms Carolyn Gallagher, and Maj Wayne Tirey (HQ USAF/DPPB); Lt Col Joe Botta (NGB/ACB); Ms Rita Everling (HQ USAF/RECB); and 1Lt Kevin Ashley (AFMPC/MPCYOS) for providing many of the documents and data necessary to complete this study.

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EXECUTIVE SUMMARY

Part of our College mission is distribution of the students' problem solving products to DoD sponsors and other interested agencies to enhance insight into contemporary, defense related issues. While the College has accepted this product as meeting academic requirements for graduation, the views and opinions expressed or implied are solely those of the author and should not be construed as carrying official sanction.

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REPORT NUMBER 86-0970

AUTHOR(S) MAJOR LOUIS R. GENTILE, USAF

TITLE COMPARISON OF MILITARY AND FEDERAL CIVILIAN EMPLOYEE
PERMANENT CHANGE OF STATION (PCS) REIMBURSEMENTS

I. Problem: The 1984 PCS Cost Survey revealed that authorized PCS allowances do not adequately reimburse military personnel for out-of-pocket and home ownership costs. Conversely, allowances authorized federal civilian employees are much more adequate than those for military personnel. In an effort to obtain background information and cost data to be used in programming, budgeting, and legislative actions, USAF/DPXE submitted three questions to ACSC as a research topic. The questions are: what are the differences in PCS allowances between military members and federal civilian employees; how long have the differences existed; and what would it cost to provide comparable allowances to military personnel?

II. Objectives: The specific objectives of this study are to provide an historical overview of authorized PCS reimbursements for federal civilian employees and military members, compare currently authorized reimbursements for employees and military members, and estimate the cost of providing military members with reimbursements similar to those authorized federal civilian employees.

III. Discussion of Analysis: This study is limited to legislated PCS allowances for active duty forces and federal civilian employees. Although it includes a number of allowances

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enacted in the FY 1986 Defense Authorization Act, it does not include final Congressional actions on the FY 1986 Defense Appropriations Bill. Allowances for transportation of personal property are also excluded. The primary source documents for the legislative history were the United States Code and United States Statutes at Large. The Department of Defense Joint Travel Regulations, United States Code, and the FY 1986 Department of Defense Authorization Act were the primary sources for information on currently authorized PCS allowances. Estimated incremental costs were developed using cost data and use rates reported by respondents to the 1984 PCS Cost Survey and PCS moves included in the active forces FY 1986 President's Budget requests.

IV. Findings: After enactment of the first PCS allowances during the 1790s, a myriad of laws, appropriation acts, and secretarial directives resulted in inconsistencies and a lack of uniformity among the military services' PCS allowances. With enactment of the Career Compensation Act in 1949, many of these problems were corrected. By 1949, PCS allowances for both military personnel and federal civilian employees were concentrated in the area of travel and transportation. Military personnel were also authorized reimbursement for temporary living expenses at overseas locations. From 1950 to 1986, many significant allowances were enacted by Congress. Major new allowances for both employees and service personnel covered expenses for household relocation, dependent enroute per diem, and temporary living expenses within the US. Employees were also authorized reimbursement for temporary living expenses overseas, house hunting expenses, real estate transaction costs, and relocation income taxes. Presently, federal civilian employees are authorized much more adequate reimbursement for temporary living expenses within the US than military members. They also receive reimbursement for expenses that military personnel must absorb out of their own resources (e.g. house hunting, real estate transactions, and relocation income taxes). To provide military members with these same allowances would require approximately \$1,015.1 million (constant 1984 dollars) in additional annual appropriations.

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U. Conclusion: There are significant disparities between the PCS allowances authorized federal civilian employees and those authorized military personnel. Just as significant is the funding required to achieve parity between employees and members. However, it must be remembered that without these allowances, military personnel must continue to absorb these costs within their personnel finances. Furthermore, these allowances are not without precedent as they are currently authorized for federal civilian employees.

Chapter One

INTRODUCTION

BACKGROUND

An inherent factor in a military career is the frequent relocation of the member and, in many cases, the member's dependents. These moves are not accomplished for the benefit of the military member. Instead, they are necessary to meet mission requirements of the service, complete necessary training, or to meet specific manpower requirements. In short, these moves are essential to maintain the readiness and combat capability of the military services.

Although permanent change of station (PCS) moves have always been a source of stress and turmoil to military families, they are also a significant financial burden. In a prepared statement submitted to a House Subcommittee on the Department of Defense, Lieutenant General Duane H. Cassidy, former Deputy Chief of Staff, Manpower and Personnel, USAF said:

The lack of adequate PCS reimbursement is one of the most critical personnel issues facing the Air Force today. . . . A 1984 survey showed that, exclusive of home ownership costs, for every \$4 our members spend on a PCS move, only \$1 is reimbursed by the government.

This translates to median unreimbursed expenses ranging from approximately \$1,400 to over \$2,700 depending on grade. Consequently, over half our members have to borrow or withdraw money from their savings to meet their PCS expenses. (12:952)

Also in a prepared statement submitted to the same subcommittee, Vice Admiral William P. Lawrence, Deputy Chief of Naval Operations, Manpower, Personnel, and Training, USN, illustrated the disparity in PCS allowances between military members and federal civilian employees. In a hypothetical example, a federal civilian employee (GS-7) and a military member (E-7) were assumed to relocate from San Diego, CA to Washington, DC. In the example cited, the federal civilian employee could receive over \$19,300 as compared to the military member who would receive only \$1,992. (12:932)

Vice Admiral Lawrence went on to say:

My purpose in providing the preceeding comparison is not to imply that government civilians are over-reimbursed for PCS expenses. Their entitlements simply provide for more complete reimbursement. Rather, I am attempting to show the wide disparity (approximately \$17,000 per move for paygrade E-7 and equivalent) between civilian and military reimbursements. (12:932)

Finally, in response to questions from the subcommittee chairman, Lawrence J. Korb, Assistant Secretary of Defense for Manpower, Installations, and Logistics submitted the following:

The PCS reimbursements must be raised to provide for necessary costs incurred by our members. These expenses are direct costs of doing business and reimbursing Service members for them should be viewed as a government obligation and not as additional compensation. (12:852)

PROBLEM STATEMENT

The basic problem then is not to convince the leadership within the Department of Defense and the military services that PCS reimbursements need to be increased. From the above discussion, it is obvious the problem is understood. Instead, the problem is to develop the basic background information and cost estimates necessary to begin programming, budgeting, and legislative action necessary to obtain authorization and appropriation of funds for increased PCS reimbursements for military members.

In consonance with this, USAF/DPXE submitted a research topic to the Air Command and Staff College which asks three questions concerning PCS allowances.

The questions are: (1) what are the differences in PCS allowances between service members and federal civilian employees; (2) how long have these differences existed; and (3) what would it cost the Department of Defense to provide the same allowances to military as are currently provided to federal civilian employees?
(19:37)

OBJECTIVES

This study focuses on three objectives. The first is to provide a brief historical comparison of the various allowances that have been legislated for federal civilian employees and military members. The second objective is to explain, compare, and identify significant differences in currently authorized PCS

allowances for employees and military members. The final objective is to develop an estimate of the cost to the Department of Defense if new allowances were provided to military members to achieve parity with the allowances authorized federal civilian employees.

LIMITATIONS

PCS allowances, a broad and highly complex subject, has been examined in numerous studies, audits, reports, and Congressional hearings. To accomplish the specific objectives of this study and to complete it within the time and resources available, its scope has been limited in several areas--legislative provisions, regulatory provisions, transportation of personal property, appropriations covered, and baseline funding.

The legislative/funding processes of the US necessarily complicates any discussion of PCS allowances. All pay and allowances of federal civilian employees and military members must first be authorized (legislated) and then funds must be appropriated prior to implementation of the pay or allowance item. Congress may authorize an allowance, but may decide not to appropriate funding for that specific item, and thus block implementation. Research to determine when specific allowances were actually implemented would consume an inordinate amount of time. Consequently, the study is limited to the legislated or authorized allowances only.

Although the structure of PCS moves varies widely between individuals, the authorizations outlined in this study deal only with the general or basic provisions for PCS allowances. A PCS move may involve several modes of transportation, delayed relocation of dependents, unaccompanied moves, temporary duty enroute to the new duty station, etc. The many exceptions to the general provisions of PCS allowances to accomodate these nonstandard situations are outside the scope of this study. Those readers interested in specific provisions for nonstandard circumstances are referred to the Joint Travel Regulations.

Allowances for the shipment of personal property such as household goods, baggage, mobile homes, and vehicles are not covered in this study. Employees and members are authorized, in some cases to transport or arrange for transportation of personal property and receive reimbursements in lieu of government furnished transportation. These allowances are excluded from the study.

The estimates provided in Chapter Four include only the active forces. National Guard and reserve forces are excluded from this study.

The cost estimates developed are based on the relevant program data (e.g. number of military and dependent PCS moves) contained in the FY 1986 President's Budget. To the extent the underlying program data changes in future years, the estimates

must be adjusted accordingly. However, the author has provided as detailed a track on methodology and data sources as possible. This should facilitate the development of revised estimates should the program data be changed.

ORGANIZATION

The remaining three chapters of this study are organized around the objectives stated above. Chapter Two is a chronological overview of legislation that authorized the various PCS allowances. Chapter Three provides a detailed description of the specific provisions of each allowance and a comparative analysis between allowances for federal civilian employees and military members. Finally, Chapter Four identifies the funding required to provide military members with allowances comparable to those now authorized federal civilian employees.

Chapter Two

LEGISLATIVE HISTORY

EARLY HISTORY (1791 TO 1949)

The Congress has long recognized the financial burden of permanent change of station (PCS) moves on federal civilian employees and military personnel. The earliest evidence of PCS allowances authorized by the Congress dates back to the 1790s. In March 1791, Congress enacted what appears to be the first PCS allowance authorized for civilian employees. (27:4)

The Congress allowed to the clerks employed in the several offices attached to the seat of government, reasonable and necessary expenses incurred by the removal of Congress from the city of New York, to the city of Philadelphia. (2:74)

It was four years later, in January 1795, that Congress authorized the first PCS travel allowance for military personnel. An act passed by the 2nd Session of the 3rd Congress provided soldiers a day's pay and rations for each 15 miles traveled from his home to his unit and return whenever the United States called the militia into service. (2:75)

Over the next 153 years, a myriad of laws, appropriation acts, secretarial directives, etc., resulted in a confusing maze

of travel and transportation allowances for military personnel. The following example concerning PCS travel and transportation allowances from the 1800s illustrates this problem.

The Act of March 3, 1935 [1835] (4 Stat. 755) authorized a mileage allowance of 10 cents a mile for Navy officers ordered to make a permanent change of station. The Act of August 14, 1848 (9 Stat. 304) appropriated funds for a mileage allowance for Army officers. The allowance stemming from this tacit authorization was set at 10 cents a mile by Army regulations. The Act of July 17, 1862 (12 Stat. 594) was the first permanent statutory authority for the Army mileage allowance and fixed its rate at 6 cents a mile except when the between-station travel required a crossing of the Rocky Mountains, in which case 10 cents a mile was allowed. The act of July 15, 1870 (16 Stat. 315) changed the dual 6/10-cent Army mileage allowance to a single rate of 8 cents a mile. The Act of June 30, 1876 (19 Stat. 65) reduced the Navy allowance from 10 to 8 cents a mile. (4:247)

These problems had not improved much by the mid 1900s. According to the 1948 report of the Advisory Commission on Service Pay concerning the various travel and transportation allowances for military personnel and dependents, "there is a lack of uniformity among and within the Forces . . . [and] . . . an unwarranted number of allowances serve to complicate the problem." (2:35) The report went on to say:

In brief, the Commission strongly urges a simplification of the travel and transportation provisions, their uniform application in all the Forces to officer and enlisted personnel, whenever possible, and, as for other allowances, a current determination of pertinent rates. (2:35)

These problems were corrected, to a large extent, when Congress legislated the Career Compensation Act of 1949. This act established a new basis of authority for military PCS

allowances and codified the various allowances into Title 37 of the US Code. The act also authorized two major new PCS allowances for military personnel--dependent enroute transportation and overseas temporary living allowances. (15:813-814)

With passage of the Career Compensation Act of 1949, authorized PCS allowances for federal civilian employees and military personnel contained some disparities. Both employees and military members were authorized reimbursements for enroute travel and transportation of the employee/member and dependents. However, while military members were authorized an enroute per diem and overseas temporary living allowance, civilian employees were not authorized such allowances.

RECENT HISTORY (1950-1986)

In the years following 1949, many significant allowances were legislated to defray the PCS costs incurred by civilian employees and military members. Allowances for expenses such as house hunting, household relocation, and temporary living costs within the US were legislated and updated during the next 36 years as shown in Table 2.1. The remainder of this chapter describes the various additions and revisions enacted from 1950 to 1986.

The first significant new PCS allowance enacted during this period was a dislocation allowance for military personnel. The Career Incentive Act of 1955 provided that ". . . a member of a uniformed service whose dependents are authorized to move and actually move in connection with his permanent change of station shall be entitled to a dislocation allowance (DLA) equal to his monthly basic allowance for quarters." (15:21) The DLA was expanded in 1967 by Public Law 90-207, to include members without dependents provided they are not assigned to government quarters. (11:244)

An allowance similar to the military DLA was enacted in 1966 for federal civilian employees. Public Law 89-516 provided for reimbursement of up to two weeks' compensation if the employee had dependents and up to one week's compensation if the employee had no dependents. The maximum reimburseable amount was fixed at the weekly compensation rate of a GS-13. (18:324).

Public Law 89-516 also authorized several other major PCS allowances for civilian employees. This legislation authorized reimbursement for enroute per diem for both the employee and dependents, house hunting expenses, temporary living expenses within the US, and reimbursement for real estate transaction costs. (18:323-324)

In 1960, Congress recognized a need to more adequately reimburse federal employees for the extra costs incurred

incident to their overseas assignments. Consequently, Congress enacted the Overseas Differentials and Allowances Act which authorized:

A temporary lodging allowance for the reasonable cost of temporary quarters incurred by the employee and his family for a period not in excess of three months after first arrival at a new post of assignment in a foreign area . . . for a period of not more than one month immediately preceeding departure from the post. . . [and a] . . . transfer allowance for extra ordinary, necessary, and reasonable expenses not otherwise compensated for, incurred by an employee incident to establishing himself at any post of assignment in a foreign area or at a post of assignment in the United States between assignments to posts in foreign areas. (17:793-794)

The next major new military PCS authorization was enacted in 1981. Public Law 97-60 authorized a temporary lodging expense (TLE) allowance to reimburse military personnel who occupy temporary quarters within the US. The authorization provides reimbursement ". . . for subsistence expenses actually incurred by the member and the member's dependents while occupying temporary quarters incident to that change of permanent station." (11:237)

In 1983, Congress enacted legislation to reimburse civilian employees for taxes incurred on reimbursements for travel transportation and relocation expenses. This legislation is the basis for the relocation income tax (RIT) allowance. (10:80)

The Department of Defense Authorization Act for 1986 included several significant revisions to military PCS allowances. It increased the DLA from one to two months' BAQ,

authorized per diem for dependents (including junior enlisted dependents), changed the TLE allowance to an entitlement, and equalized mileage allowances for military members (including junior enlisted personnel) and federal civilian employees.
(9:Sec 611 - Sec 613)

Type of PCS allowance	Year initially authorized	
	Employee	Member
Household relocation	1966	1955
Dependent enroute per diem	1966	1986
House hunting	1966	None
Temp. living expense-US	1966	1981
Real estate transactions	1966	None
Temp. living expense-OS	1960	1949
Relocation income tax	1983	None

Table 2.1. PCS Allowances Enacted from 1950 through 1986
(9:Sec 611 - Sec 613; 10:80 11:237; 15:814; 16:21,22;
17:793,794; 18:323,325)

SUMMARY

The various PCS allowances enacted since our country was founded are complex and ever changing to keep pace with changes in costs, living standards, and fundamental changes in the societal relationships within the federal civilian workforce and the military services. This chapter provided a brief overview of the historical development of PCS allowances. Chapter Three provides a more detailed description of the allowances currently authorized by law and highlights those areas where disparities between employee and member allowances exist.

Chapter Three

COMPARISON OF PCS ALLOWANCES

GENERAL

The second objective of this study is to determine the specific differences between permanent change of station (PCS) allowances for military members and for federal civilian employees. This chapter outlines the authorized allowances for military members and federal civilian employees and highlights the differences between them.

The primary source documents used in this chapter are volumes one and two of the Department of Defense Joint Travel Regulations (JTR) and the FY 1986 Defense Authorization Act (Public Law 99-145). The JTR implements the statutory provisions governing travel, transportation, and per diem contained in Titles 5 and 37 of the US Code. The FY 1986 Defense Authorization Act contains the latest legislative provisions concerning PCS reimbursements enacted by Congress. The reader should note that initiatives included in the FY 1986 Authorization Act could be affected by Congressional action on the FY 1986 Department of Defense Appropriations request.

Typical PCS expenses incurred by both military members and federal civilian employees can be grouped into six broad categories--house hunting, enroute travel and transportation, real estate transactions, relocation of household, temporary living, and added federal, state, and/or local income taxes. Both military members and federal civilian employees are authorized roughly equal allowances in two of these areas--enroute travel and transportation and household relocation. However, there are vast disparities in the remaining four groups--house hunting, temporary living, real estate transactions, and added income taxes. This chapter first covers the areas of similarity followed by the areas where disparities exist.

ENROUTE TRAVEL AND TRANSPORTATION ALLOWANCES

Current legislation authorizes reimbursements to both military members and federal civilian employees to cover various transportation and travel costs incurred incident to a PCS move. Reimbursements for the transportation costs of the member/employee and their qualified dependents include either the actual cost of transportation by commercial carrier or a mileage allowance in lieu of transportation. Travel reimbursements are based on specific maximum per diem rates for the member employee and dependents. Both military members and federal civilian employees are authorized similar reimbursements

in each of these general areas. This section outlines the specific transportation and travel allowances authorized for both military members and federal civilian employees. (5:4-29; 6:g-1; 9:Sec 612)

Reimbursements for transportation depend on the mode of transportation selected by the member/employee. Military members and federal civilian employees may elect to arrange transportation for themselves and their dependents via commercial common carriers. Under these conditions, both military members and federal civilian employees are entitled to reimbursements equal to the actual cost of transportation not to exceed what it would have cost the government to transport them. However, if the member/employee elects to use a private automobile for transportation to the new duty station, the basis for reimbursement is a fixed rate per mile. The maximum allowable mileage for which payment can be made is determined by each military service's official table of distances. (5:1-13; 6:4-83) The basic rate structure applicable to both military members, federal civilian employees, and dependents is based on the number of people traveling up to a maximum of \$.20 per mile as shown in Table 3.1. (6:4-83; 9:Sec 612)

Both military members and federal civilian employees are authorized per diem allowances for travel time enroute to a new duty station. Officer and enlisted members receive flat rates of \$50.00 and \$44.94 per day respectively (E-1 under 4 months

receives \$45.32). (5:4-29) Federal civilian employees receive \$23.00 per day plus the average actual cost of quarters, not to exceed \$50.00. (6:4-162-1) The maximum rates authorized for dependents are \$37.50 for each dependent 12 years of age or older and \$25.00 for each dependent under 12 years of age. (6:7-8; 9:60) The maximum allowable travel time is computed by dividing the official distance in miles by 300 miles per day. (5:1-13; 6:4-93)

Number of People Traveling	Rate Per Mile
1	\$.15
2	.17
3	.19
4	.20

Table 3.1. Mileage Rates for Transportation by Privately Owned Vehicle (6:4-83; 9:Sec 612)

HOUSEHOLD RELOCATION ALLOWANCES

Allowances to defray the costs incurred in relocating a household are provided to both military members and federal civilian employees. Although the allowances are roughly equal, the methods used to determine the reimbursable amount for

military members and federal civilian employees are not directly comparable. Federal civilian employees may be reimbursed a lump sum amount or submit a claim if actual costs exceed the lump sum amount. Military members receive a lump sum without regard to actual costs incurred. The specific rates of reimbursement and maximums are outlined below.

Several rates of reimbursement are authorized for federal civilian employees. If the employee's dependents relocate, the rate is the lesser of \$700 or two weeks' basic compensation. If the employee has no qualifying dependents or the dependents do not relocate, the rate is the lesser of \$350 or one week's basic compensation. Reimbursement for expenses in excess of these amounts may be approved if the employee submits valid substantiating documentation. However, in no case may the reimbursement exceed the compensation rate for the maximum GS-13 rate. (6:9-1 - 9-2) At current salaries, this equates to \$1,879.84, if the employee's dependents relocate, and \$939.92 if the employee's dependents do not relocate. (26:--)

Military members are authorized a dislocation allowance equal to two months' basic allowance for quarters at the member's grade. (9:sec 611) Members are authorized a higher "with dependents" rate when the member's dependents actually relocate their household as a result of a PCS move. The lower "without dependents" rate is paid if the member's dependents do not move or the member has no qualifying dependents. Members

without qualifying dependents are not entitled to a dislocation allowance, if they occupy government quarters at their new duty station. The specific amounts authorized by grade are shown in Table 3.2. (5:9-1 - 9-3)

Grade	Rate		Grade	Rate	
	Without Dep.	With Dep.		Without Dep.	With Dep.
E-1	\$ 274.80	\$ 491.40	O-1	\$ 491.40	\$ 666.60
E-2	301.80	491.40	O-2	573.00	743.40
E-3	355.20	491.40	O-3	711.60	867.00
E-4	366.00	534.60	O-4	879.00	1,039.80
E-5	421.80	618.60	O-5	958.80	1,137.60
E-6	456.00	696.00	O-6	1,015.80	1,243.80
E-7	513.60	767.40	O-7	1,107.00	1,361.40
E-8	601.80	925.00	O-8	1,107.00	1,361.40
E-9	649.80	885.60	O-9	1,107.00	1,361.40
W-1	517.80	681.60	W-3	680.40	836.40
W-2	612.00	781.80	W-4	805.80	934.08

Table 3.2. Military Dislocation Allowance (1:6)

HOUSE HUNTING ALLOWANCES

Perhaps the first PCS expense incurred by federal civilian employees and military members is related to obtaining a permanent residence at the new duty station. Both federal civilian employees and military members are entitled to some benefits in this area, but only federal civilian employees are allowed reimbursement for the costs incurred.

Federal civilian employees may be reimbursed for a maximum of 10 days per diem, round trip transportation to and from the new duty station, and transportation in the local area of the new duty station for the employee and spouse. These allowances are applicable only if both the old and new duty stations are within the US, Commonwealth of Puerto Rico, or designated areas in the Republic of Panama. Per diem reimbursements for the employee are limited to \$23.00 plus the average actual daily cost of lodging. The spouse's rate is limited to 75 percent of the employee's rate. Reimbursements for round trip and local transportation are limited to actual commercial transportation costs incurred or a mileage rate of \$.17 per mile if a private vehicle is used. (6:4-42 - 4-44, 4-162-1, 7-8)

The benefits authorized military members are meager in comparison. Military members are authorized seven days permissive travel time and space available airlift. The member's spouse may not use military airlift while the member is

in a permissive TDY status. Nor are any monetary reimbursements authorized for costs incurred by the member or spouse while on a house hunting trip. (7:6; 3:4-2 - 4-5)

TEMPORARY LIVING ALLOWANCES

Allowances for temporary living expenses incurred incident to a PCS move are perhaps the most complex of all PCS allowances. Five different allowances exist to reimburse federal civilian employees and military members for costs incurred while occupying temporary quarters. These allowances cover the period subsequent to vacation of permanent quarters at the old duty station, but prior to departure for the new duty station and after arrival at the new duty station, but prior to occupancy of permanent quarters. (5:4-82,4-83; 6:13-1,13-7; 13:Sec 121,Sec 241) Federal civilian employees may receive a temporary quarters subsistence expense allowance (TQSE), a foreign transfer allowance, or a temporary lodging allowance to partially cover the costs of temporary lodgings and meals. (6:13-1 -13-3) The allowance applicable depends on whether the new duty station and/or temporary quarters are within the US or a foreign location. (6:13-1 - 13-3) The allowances applicable to military personnel are the temporary lodging expense allowance (TLE) and the temporary lodging allowance (TLA). (5:4-82; 9:Sec 613; 11:237) These allowances apply at locations within the US and foreign locations respectively. (5:4-82;

9:Sec 613; 11:237) Although military members are authorized somewhat more adequate reimbursements for temporary living expenses at overseas locations than federal civilian employees, the reimbursements authorized military members at US locations are far less than those authorized federal civilian employees as shown in Table 3.3.

Upon arrival at a new duty station at a foreign location, federal civilian employees are authorized only a temporary lodging allowance prescribed by Department of State Standardized Regulations. This allowance provides reimbursement for the actual cost (subject to specified maximum rates) of temporary lodging only, for up to three months. (6:13-1,13-4; 13:Sec 121,Sec 122,Sec 125)

Military members, however, are authorized TLA reimbursement for the actual cost incurred for temporary lodgings and meals upon arrival at an overseas duty location. Reimbursements to military personnel are also subject to specified maximum rates and are available for up to 60 days under normal circumstances. (5:4-82 - 4-91)

Both military members and federal civilian employees are authorized reimbursement for the actual cost of temporary lodging and meals incurred just prior to departure from the overseas location to a new duty station in the US. The applicable allowances are the IQSE and temporary lodging

allowance for federal civilian employees and the TLA for military members. (5:4-83; 6:13-4,13-5)

Authorized reimbursements to federal civilian employees for temporary living expenses incurred within the US are much more liberal than those authorized for military personnel as shown in Table 3.3. IQSE reimbursements are provided to federal civilian employees to defray the actual expenses of the employee and dependents while occupying temporary quarters in conjunction with a PCS move within the US, Commonwealth of Puerto Rico, or in areas made available to the US within the Republic of Panama. Allowable expenses include temporary lodging, meals and/or groceries, laundry/cleaning, etc. The maximum time period covered is generally limited to 60 days, but under compelling circumstances may be extended up to 120 days. This time limit is reduced if the employee made a house hunting trip, had previous temporary or permanent duty assignments in the area that enabled the employee to make arrangements for permanent quarters, or the employee's family will not move immediately to the new duty location. Reimbursements are based on actual costs incurred subject to certain average daily maximums. During the first 30 days, the maximum average daily rate is \$50.00 for the employee, 2/3 the employee rate for dependents 12 years of age or older, and 1/2 the employee rate for dependents less than 12 years of age. These maximums are reduced 25 percent for all days in excess of 30. (6:13-1 - 13-7)

Temp Qtrs	New Duty Sta	Personnel and Age	Max Days Emp	Max Days Mbr	Max Rate Emp	Max Rate Mbr
US	US	Mbr/Emp	30	4	\$50.00	\$50.00
(Days 1-30)		Dep \geq 12	30	4	33.33	37.50
		Dep<12	30	4	25.00	25.00
		Limit			N/A	110.00
(Days 31-60)		Emp	30		37.50	
		Dep \geq 12	30		25.00	
		Dep<12	30		18.75	
		Limit			N/A	
US	OS	Mbr/Emp	10	2	50.00*	50.00
		Dep \geq 12	10	2	33.33*	37.50
		Dep<12	10	2	25.00*	25.00
		Limit			N/A	110.00
* Except in designated high cost areas where locality rates will be used.						

Table 3.3. Temporary Living Expense Reimbursements,
Temporary Quarters Within the US

If the employee's new duty assignment is at a foreign location the employee is eligible for reimbursement for temporary living costs under the Department of State foreign transfer allowance, subsistence expense portion. This allowance reduces the time period to 10 days and permits use of high cost area per diem rates to determine maximum reimbursement rates. (6:13-7; 13:Sec 242)

Military members, on the other hand, are entitled to only four days of TLE reimbursement when occupying temporary quarters within the US. This is reduced to only two days if the member is proceeding to an overseas location. Reimbursements are limited to daily rates of \$50.00 for the member, \$37.50 for each dependent 12 years of age or older, and \$25.00 for each dependent under 12 years old. (24:--) These reimbursement rates, however, are subject to an overall limitation of \$110.00 per day. (11:237)

REAL ESTATE TRANSACTIONS ALLOWANCE

The costs associated with real estate transactions incident to a PCS move can be the single largest moving expense. Assuming certain ownership, residence, and location requirements are satisfied, federal civilian employees are authorized reimbursements up to \$23,288 for the sale and purchase of permanent residences or actual expenses to settle an unexpired lease. (6:14-1 - 14-4) Yet, despite the fact that over 900,000

military members own or rent the home in which they live (based on variable housing allowance eligibility), (28:--) no reimbursements are authorized to defray any of these costs. Only federal civilian employees are authorized reimbursement for real estate transaction costs.

Federal civilian employees may be reimbursed for a wide variety of real estate transaction costs involved in selling and purchasing permanent residences due to a PCS move within the US, Commonwealth of Puerto Rico, or designated areas within the Republic of Panama. Reimbursable costs include: brokers' fees or real estate commissions; advertising costs; legal and related costs; and other miscellaneous costs such as loan origination fees, mortgage and transfer taxes, state revenue stamps, etc. The maximum reimbursement of \$23,298 is divided into two separate limitations--one for selling expenses and one for purchasing expenses. An employee's reimbursement for selling expenses may not exceed the lesser of \$15,525 or 10 percent of the sale price of the residence at the old permanent duty station. Reimbursements for expenses related to the purchase of a residence at the new duty station may not exceed the lesser of \$7,763 or 5 percent of the purchase price. (6:14-1 - 14-4)

Reimbursements for expenses incurred to settle an unexpired lease are limited to the actual, reasonable, and unavoidable costs incurred. Allowable expenses include monthly rent, brokers' fees incurred to obtain a sublease, and advertising

fees. (6:14-4,14-7)

RELOCATION INCOME TAX ALLOWANCE

Federal civilian employees are also authorized a relocation income tax allowance (RIT) to cover certain additional federal, state, and/or local income taxes paid by the employee as a result of the financial impact of a PCS move. (6:16-1)

Employees may incur an increased income tax liability because some reimbursable expenses or in-kind services are not deductible for income tax purposes. For example, federal tax laws limit deductions for some reimbursable costs such as house hunting, temporary living, and real estate transactions.

(14:2-6) Other reimbursable costs including some household relocation costs (e.g. refitting of carpets and drapes, auto registration, driver's license, etc.) are not deductible for federal tax purposes. (14:6) Therefore, a federal civilian employee may have to pay additional taxes as a result of a PCS move.

The purpose of the RIT is to reimburse the employee for substantially all the additional taxes paid. (6:16-1 - 16-2) This allowance covers nine general areas--enroute travel, shipment of household goods, nontemporary storage, mobile home movement, house hunting trips, temporary quarters, real estate expenses, miscellaneous expenses, and relocation services. (6:16-1 - 16-2)

SUMMARY

Existing legislation provides for numerous allowances to cover the costs incurred by federal civilian employees and military members. While in some cases the allowances for employees and members are roughly comparable, in most areas the allowances for employees are clearly more adequate. Allowances for temporary living expenses within the US are far more adequate for employees than military personnel. Furthermore, allowances to employees for house hunting expenses, real estate transaction costs, and added income tax liabilities have no counterpart in legislation for military members. Chapter Four provides an estimate of the added cost to provide comparable reimbursements to military members.

Chapter Four

ESTIMATE OF INCREMENTAL COSTS

GENERAL

Four PCS allowances were identified in Chapter Three that provide more adequate reimbursements to federal civilian employees than to military members. In this chapter, estimates are made of the incremental cost to the Department of Defense if similar authorizations were provided to military members. Specifically, these estimates identify the cost to authorize a house hunting expense allowance, a more liberal temporary lodging expense allowance (TLE), a real estate transactions allowance, and a relocation income tax allowance for military members.

Several source documents were used to develop the cost estimates included in this chapter. The 1984 PCS Cost Survey conducted by the Air Force Manpower and Personnel Center provided data on actual PCS costs incurred by military personnel. Appendix A provides a general description of the survey and the types of data it contains. The second major source of data was justification material the military services

submitted to Congress to support their FY 1986 budget requests. This material provided data on military manpower and programmed PCS moves.

ASSUMPTIONS

To simplify the estimating process somewhat, estimates were based on several assumptions concerning inflation, PCS distribution by rank group, and pricing interrelated allowances. All cost factors and/or estimates presented in this chapter are stated in constant 1984 dollars. It is also assumed that PCS moves by rank group are in the same proportion as each rank group is represented within the services' officer and enlisted manpower structure. Finally, house hunting and temporary lodging expense allowances are assumed to be interrelated and are priced accordingly. That is, if a member makes a house hunting trip to his new duty station, the time spent in temporary quarters after the PCS move will likely be less than if no house hunting trip were made.

METHOD OF COMPUTATION

The estimated cost of each PCS allowance was computed via a four step process. The first step was the development of an expected incremental cost for each of five rank groups using data from the 1984 PCS Cost Survey. The rank groups were senior officers, O-10 through O-4; junior and warrant officers,

O-3 through W-1; senior enlisted, E-9 through E-7; mid enlisted, E-6 through E-3; and junior enlisted, E-3 through E-1. The mean costs and use rates for each rank group were extracted from the 1984 PCS Cost Survey. The expected cost for each rank group was obtained by multiplying the mean costs by the use rates.

Because the military services identify programmed PCS moves only by officer and enlisted categories and the cost data was developed by rank groupings, it was necessary to compute service specific weighting factors for each rank group (Appendix B). The weighting factors reflect the size of a specific rank group relative to the services' officer and enlisted manpower structure. Weighted average incremental cost factors for officer PCS moves and enlisted PCS moves were developed by multiplying the weighting factors by the expected cost factors for each rank group and summing officer and enlisted rank group cost factors. Appendices C through F show the computation of each weighted average incremental cost factor used in this chapter.

The final step was to multiply the weighted average incremental cost factor for each PCS allowance by the number of PCS moves (excluding separation moves) programmed in each service's FY 1986 budget request. The programmed PCS moves used in all the estimates are shown in Table 4.1. The results are estimates of the incremental cost to implement each of the four PCS allowances covered in this chapter.

Service	Officer Moves	Enlisted Moves	Total Moves
Army	45,923	336,042	381,965
Navy	29,267	199,206	228,473
Marine Corps	7,853	89,140	96,993
Air Force	<u>41,728</u>	<u>194,218</u>	<u>235,946</u>
Total	124,771	818,606	943,377

Table 4.1. Programmed PCS Moves (20:116-130; 21:107-121; 22:82-98; 23:I-81 -192)

HOUSE HUNTING ALLOWANCE

The estimated incremental cost of reimbursing military members for house hunting costs is \$165.0 million as shown in Table 4.2. This estimate includes reimbursement of the actual cost of round trip transportation for the member and spouse to the new duty station, transportation in the local area of the new duty station, and food and lodging costs incurred during the trip. It covers these expenses for a maximum of 10 days. To the extent members have made house hunting trips to overseas locations and reported the costs in their survey responses, the costs are included in the estimate.

Over 18.7 percent of the respondents to the PCS Cost Survey indicated they had taken a house hunting trip. (8:Q1) However, an additional 15.8 percent indicated that they had not taken a house hunting trip because they could not afford the cost or could not find space available transportation. (8:Q1) It is assumed that if a house hunting allowance were authorized, these personnel would make a house hunting trip. Therefore, the reported use rate was increased to reflect the potential increased use that would result if such an allowance were authorized.

Approximately 13.6 percent of the respondents had taken at least one dependent and stayed for an average of four to five days. (8:Q2,Q3) Average costs incurred for transportation, lodging, and meals ranged from \$474.35 for junior enlisted personnel up to \$739.36 for senior officers. (8:Q4-Q7) However, several items complicated the computations and an adjustment to the average costs reported was necessary.

Approximately 5 percent of the respondents were accompanied by more than one dependent and another 1 percent had taken more than 10 days for the trip. (8:Q2,Q3) Since the allowance is to provide for the member and spouse for up to 10 days, the actual costs reported are greater than would be allowed. Therefore, a downward adjustment was necessary to arrive at a more reasonable estimate. Since the available data did not provide a means of calculating this difference, reported costs were reduced by 1

percent. A detailed explanation of the computations of the weighted average incremental cost factors is contained in Appendix C.

Service	Officers	Enlisted	Total
Weighted average incremental cost factor			
Army	\$281.33	\$162.16	N/A
Navy	288.47	157.93	N/A
Marine Corps	274.61	135.98	N/A
Air Force	288.98	161.31	N/A
Estimated incremental cost (\$000)			
Army	\$12,920	\$ 54,493	\$ 67,413
Navy	8,443	31,461	39,904
Marine Corps	2,157	12,121	14,278
Air Force	<u>12,059</u>	<u>31,329</u>	<u>43,388</u>
Total	\$35,579	\$129,404	\$164,983

Table 4.2. Estimated Incremental Cost-House Hunting Allowance

TEMPORARY LODGING EXPENSE ALLOWANCE

The estimated incremental cost to provide military members with a temporary lodging expense allowance (TLE) comparable to that currently authorized federal civilian employees is \$139.5 million as shown in Table 4.3. The military services had included \$132.5 million in their FY 1986 budget requests to provide up to four days TLE for moves to or within the US and two days for moves to overseas stations--subject to a daily maximum of \$110.00. (11:237; 20:112; 21:102; 22:79; 23:78) The increase of \$139.5 million would provide up to 60 days TLE for moves to or within the US, 10 days TLE for overseas moves, and remove the \$110.00 daily maximum.

Although the TLE allowance currently authorized provides reimbursement on a flat rate basis rather than for actual expenses incurred (24:--), actual cost data were used to estimate funding requirements. The various rates of reimbursement are determined by the age of dependents and the type of temporary quarters used--government or civilian. Since this data was not available, it was assumed that actual costs, on the average, approximate the prescribed flat rates.

As mentioned earlier in this chapter, an increase in the number of house hunting trips is expected to reduce the time spent in temporary quarters at the new duty station. Expected costs were reduced to reflect the interrelationship between the

house hunting and the TLE allowances. Although a house hunting trip may reduce the time spent in temporary quarters, it will not eliminate the need entirely. Because of factors beyond the member's control such as, delayed delivery of household goods or a delay in the availability of permanent quarters, some time in temporary quarters may still be required. Therefore, the reported mean after move temporary living cost was reduced to reflect savings in the TLE allowance associated with the expected increased use rate for a house hunting allowance. Appendix D outlines the computation of the weighted average incremental cost factors used to derive the estimate for an expanded TLE allowance.

Service	Officers	Enlisted	Total
Weighted average incremental cost factor			
Army	\$478.82	\$262.16	N/A
Navy	488.87	256.90	N/A
Marine Corps	469.13	240.40	N/A
Air Force	489.57	261.79	N/A

Table 4.3. Estimated Incremental Cost-Temporary Lodging Expense Allowance

Service	Officers	Enlisted	Total
Estimated incremental cost (\$000)			
Army-Total	\$21,989	\$ 88,097	\$110,086
Budget			<u>53,680</u>
Increment			56,406
Navy-Total	14,308	51,176	65,484
Budget			<u>35,621</u>
Increment			29,863
Marine Corps-Total	3,684	21,429	25,113
Budget			<u>8,171</u>
Increment			16,942
Air Force-Total	20,429	50,844	71,273
Budget			<u>35,000</u>
Increment			36,273
Total			\$139,484

Table 4.3. (Continued)

REAL ESTATE TRANSACTIONS ALLOWANCE

Significant numbers of military personnel, particularly senior officers and senior enlisted members, incurred real

estate transaction costs incident to their last PCS move. The costs reported include realtors' fees and/or closing costs at the old duty station, closing costs at the new duty station, and/or rental deposits lost at the old duty station. Of the total number responding to the survey, approximately 13 percent sold their home at the old duty station, 18 percent purchased a home at the new duty station, and 8 percent reported lost rental deposits at their old duty station. (8:Q16,Q92-Q94,Q101)

The estimated cost to provide the active forces with reimbursements for real estate transaction costs would be approximately \$600.9 million as shown in Table 4.3. This estimate is based on the same parameters that govern reimbursements to civilian employees, except one. Authorization for reimbursements to civilian employees covers only those PCS moves within the US, Commonwealth of Puerto Rico, and designated areas in the Republic of Panama. The estimate for military members, however, includes all PCS moves, except separation travel.

Cost factors and use rates used to develop the estimate were, for the most part, extracted from the 1984 PCS Cost Survey. However, analysis of this data revealed that only 87 percent of those personnel who sold their old residence incurred realtor fees. It was assumed that this difference resulted because some sellers, in an effort to reduce overall costs, did not employ the services of a realtor to market their old

Service	Officers	Enlisted	Total
Weighted average incremental cost factor			
Army	\$2,164.91	\$412.04	N/A
Navy	2,269.88	391.93	N/A
Marine Corps	2,063.86	310.85	N/A
Air Force	2,277.20	409.51	N/A
Estimated incremental cost (\$000)			
Army	\$ 99,419	\$138,463	\$237,882
Navy	66,432	78,075	144,507
Marine Corps	16,207	27,709	43,916
Air Force	<u>95,023</u>	<u>79,534</u>	<u>174,557</u>
Total	\$277,081	\$323,781	\$600,862

Table 4.4. Estimated Incremental Cost-Real Estate
Transactions Allowance

residence. If a real estate transactions allowance is authorized, most of those personnel will likely use a realtor's services on their next move. Therefore, selling costs were adjusted to reflect an increased use of realtors. Appendix E contains additional data concerning this estimate.

RELOCATION INCOME TAX ALLOWANCE

The estimated cost to provide military members with a relocation income tax allowance similar to that authorized Federal civilian employees is \$109.7 million as shown in Table 4.5. This estimate is based on two assumptions. First, the house hunting, expanded TLE, and real estate transactions are authorized and implemented. Secondly it assumes that the PCS allowances authorized in the FY 1986 Department of Defense Authorization Act are implemented.

An unweildy number of variables are involved in PCS moves and Federal, state, and local income tax regulations. Therefore, a hypothetical PCS move was used as the basis for this estimate. It was assumed that the member making the move is married and files a joint tax return. The assumed PCS move included a house hunting trip, occupancy of temporary quarters, and the sale and purchase of permanent residences.

Service	Officers	Enlisted	Total
Weighted average incremental cost factor			
Army	\$465.83	\$ 63.38	N/A
Navy	494.81	59.83	N/A
Marine Corps	437.91	46.62	N/A
Air Force	496.84	63.01	N/A
Estimated incremental cost (\$000)			
Army	\$ 21,392	\$ 21,298	\$ 42,690
Navy	14,482	11,919	26,401
Marine Corps	3,439	4,156	7,595
Air Force	<u>20,732</u>	<u>12,238</u>	<u>32,970</u>
Total	\$ 60,045	\$ 49,611	\$109,656

Table 4.5. Estimated Incremental Cost-Relocation Income Tax Allowance

The estimating process is explained in detail in Appendix F and is summarized below. First an average reimbursement was estimated for CIA, house hunting and temporary living, and real estate transactions allowances. Then the maximum allowable deduction was subtracted from each reimbursement to find an average taxable amount for each allowance. The taxable amount was then multiplied by an estimated marginal federal, state, and local tax rate to determine the average relocation income tax reimbursement for each rank group. These reimbursements were then weighted based on actual or estimated use rates and manpower weighting factors to yield the weighted average incremental cost factor shown in Table 4.5.

SUMMARY

The estimated cost to implement the four PCS allowances discussed in this chapter is \$1,015.1 million (1984 constant dollars) as summarized in Table 4.6. The additional funding is a substantial amount, especially in view of increasing budget deficits and pressure to reduce defense spending. However, this funding must be viewed with two factors in mind.

First, military members are currently absorbing these costs out of their personal finances. To reimburse these costs would not provide added compensation to military members. Instead, these reimbursements would relieve military personnel and their families of a financial burden that should be shared by the

population in general.

Secondly, the proposed reimbursements are not without precedent. Such costs have long been recognized as valid reimbursable expenses for federal civilian employees who make PCS moves and appropriate reimbursements are authorized by law.

It is hoped that AF/DPX and its counterparts in the other services are able to use the data presented in this study in their efforts to obtain legislation and funding for these PCS allowances. These allowances are essential to the financial well being of the men and women of the uniformed services of the US.

PCS Allowance	Army	Navy	Marine Corps	Air Force	Total
House hunting	\$ 67.4	\$ 39.9	\$ 14.3	\$ 43.4	\$ 165.0
Temporary lodging	56.4	29.9	16.9	36.3	139.5
Real estate transactions	237.9	144.5	43.9	174.6	600.9
Relocation income tax	<u>42.7</u>	<u>26.4</u>	<u>7.6</u>	<u>33.0</u>	<u>109.7</u>
Total	\$404.4	\$240.7	\$ 82.7	\$287.3	\$1,015.1

Table 4.6. Summary of Incremental PCS Costs (\$ Millions)

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APPENDIX A

1984 PCS Cost Survey

The 1984 PCS Cost Survey was constructed to determine all costs incurred by military members who completed PCS moves. It was designed to obtain data on moving costs incurred beginning prior to the packing of household goods through enroute travel and ending after the household goods were delivered at the new permanent residence. (25:--)

The survey was a stratified random sample drawn from 101,936 active duty Air Force personnel who made a PCS move between 1 February and 31 July 1984. The sample was based on a 95 percent confidence interval with a ± 5 percent error. (25:--)

Responses were grouped by rank as follows: senior officers, O-6 through O-4; junior officers, O-3 through O-1; senior enlisted, E-9 through E-7; mid enlisted, E-6 through E-3; and junior enlisted, E-3 through E-2. The distribution of individual grades within each rank group and the relative size of each rank group are shown in TABLE A.1. (25:--)

Active duty rank	Number	Percent of Group	Percent of Total
O-6, Colonel	269	28.7	5.9
O-5, Lieutenant Colonel	345	36.8	7.5
O-4, Major	<u>323</u>	<u>34.5</u>	<u>7.0</u>
Total Senior Officers	937	100.0	20.4
O-3, Captain	387	42.0	8.4
O-2, First Lieutenant	279	30.2	6.1
O-1, Second Lieutenant	<u>256</u>	<u>27.8</u>	<u>5.6</u>
Total Junior Officers	922	100.0	20.1
Total Officers	1,859		40.5
E-9, Chief Master Sergeant	188	19.2	4.1
E-8, Senior Master Sergeant	366	37.4	8.0
E-7, Master Sergeant	<u>424</u>	<u>43.4</u>	<u>9.2</u>
Total Senior Enlisted	978	100.0	21.3
E-6, Technical Sergeant	392	34.7	8.6
E-5, Staff Sergeant	396	35.1	8.6
E-4, Sergeant	222	19.7	2.6
E-3, Senior Airman	<u>118</u>	<u>10.5</u>	<u>2.6</u>
Total Mid Enlisted	1,128	100.0	24.6

Table A.1. 1984 PCS Cost Survey (G:Q129,Q130)

Active duty rank	Number	Percent of Group	Percent of Total
E-2, Airman First Class	411	66.0	9.0
E-1, Airman	<u>211</u>	<u>34.0</u>	<u>4.6</u>
Total Junior Enlisted	622	100.0	13.6
Total Enlisted	2,728		59.5
Total Respondents	4,587		100.0

Table A.1. (Continued)

APPENDIX B

MANPOWER AND WEIGHTING FACTORS

The military services' projected 30 September 1986 military end strength by rank group, officer, and enlisted are shown in Table B.1. Also shown are the weighting factors computed by dividing the projected 30 September end strength for each rank group by the total officer or enlisted end strength as appropriate. These weighting factors were used to develop the weighted average incremental cost factors for officer and enlisted PCS moves shown in Chapter Four.

Rank group	Army	Navy	Marine Corps	Air Force
Senior officer:				
Number	33,895	25,309	5,404	38,820
Weighting factor	.3081	.3511	.2667	.3541
Junior officer:				
Number	76,110	46,768	14,862	70,821
Weighting factor	.6919	.6489	.7333	.6459
Total officers	110,005	72,077	20,266	109,641
Senior enlisted:				
Number	72,213	49,203	14,647	54,280
Weighting factor	.1084	.0965	.0817	.1091
Mid enlisted:				
Number	396,617	294,704	75,257	292,134
Weighting factor	.5953	.5782	.4199	.5873
Junior enlisted				
Number	197,415	165,791	89,330	161,028
Weighting factor	.2963	.3253	.4984	.3036
Total enlisted	666,245	509,698	179,234	497,442
Grand total	776,250	581,775	199,500	607,083

Table B.1. Manpower and Weighting Factors (B:G129,G130)

APPENDIX C

Weighted Average Incremental Cost Factors House Hunting Expenses

Table C.1 shows the computation of the weighted average incremental cost factors for house hunting expenses used in Chapter Four. Part A shows the average costs incurred by respondents to the 1984 PCS Cost Survey. Reported costs were reduced by 1 percent because some personnel were accompanied by more than one dependent or made a trip over 10 days long. Part B shows the proportion of respondents that made a house hunting trip and those that did not because they could not afford to or could not find space available transportation. Part C shows the expected cost for each rank group. It is the product of the adjusted costs in Part A and the estimated use rate in Part B. Part D reflects the expected cost for each rank group weighted for its relative size within each services' total officer or enlisted manpower structure. These factors are the product of the weighting factors in Appendix B and the expected costs in Part C. Part E is the average incremental cost factor for officer and enlisted PCS moves. It is the sum of the expected costs for officer or enlisted PCS moves in Part D.

	Senior Officers	Junior Officers	Senior Enlisted	Mid Enlisted	Junior Enlisted
A. Average cost incurred					
Round trip transportation (8:04)	\$364.74	\$289.65	\$305.15	\$264.18	\$226.40
Local area transportation (8:05)	84.87	73.98	88.29	86.25	67.22
Food (8:06)	168.93	142.96	155.99	141.12	82.42
Lodging (8:07)	<u>159.72</u>	<u>125.75</u>	<u>151.70</u>	<u>164.27</u>	<u>127.29</u>
Subtotal	\$778.27	\$631.94	\$701.13	\$655.82	\$499.32
Adjustment (-1%)	<u>-7.78</u>	<u>-6.31</u>	<u>-7.01</u>	<u>-6.56</u>	<u>-4.99</u>
Total	\$770.49	\$625.63	\$694.12	\$649.26	\$494.33
B. Use Rate (8:01)					
Made house hunting trip	.4156	.2329	.1452	.0804	.0435
Could not afford trip	.0801	.1295	.1874	.2020	.0952
Could not obtain transportation	<u>.0171</u>	<u>.0065</u>	<u>.0268</u>	<u>.0134</u>	<u>.0032</u>
Total expected use rate	.5128	.3689	.3594	.2958	.1419
C. Expected costs by rank group					
	\$395.11	\$230.79	\$249.47	\$192.05	\$70.15
D. Weighted average incremental cost by rank group					
Army	\$121.73	\$159.60	\$27.04	\$114.33	\$20.79
Navy	138.72	149.75	24.07	111.04	22.82
Marine Corps	105.37	169.24	20.38	80.64	34.96
Air Force	139.91	149.07	27.22	112.79	21.30

Table C.1. Computation of Weighted Average Incremental Cost Factors, House Hunting Expenses

	Officer	Enlisted
E. Officer/enlisted weighted average		
incremental cost factor		
Army	\$281.33	\$162.16
Navy	288.47	157.93
Marine Corps	274.61	135.98
Air Force	288.98	161.31

Table C.1. (Continued)

APPENDIX D

Weighted Average Incremental Cost Factors Temporary Living Expenses

Table D.1 shows the computation of the weighted average incremental cost factors for an expanded temporary lodging expense (TLE) allowance. Part A reflects costs reported by respondents to the 1984 PCS Cost Survey for meals and lodging while occupying temporary quarters within the US. The figures for CONUS to CONUS moves include expenses incurred at both the old and new duty stations. CONUS to overseas and overseas to CONUS costs are expenses incurred at the CONUS location only. Part B shows the use rate for temporary quarters for each type of move. Part C, the product of the adjusted costs in Part A and the estimated use rate in Part B, is the expected cost for each rank group. Part D reflects the expected cost for each rank group weighted for its relative size within each service's total officer or enlisted manpower structure. These factors are the product of the weighting factors in Appendix B and the expected costs in Part C. Part E, the sum of the expected costs for officer or enlisted PCS moves in Part D, is the weighted average incremental cost factor used in Chapter Four.

	Senior Officers	Junior Officers	Senior Enlisted	Mid Enlisted	Junior Enlisted
A. Average cost incurred (8:Q17,Q18,Q28,Q29)					
CONUS to CONUS-before move	\$ 263.70	\$ 211.72	\$ 276.09	\$ 226.64	\$ 200.72
CONUS to CONUS-after move	742.78	488.48	684.28	399.01	227.70
CONUS to overseas	349.18	374.13	364.90	296.09	227.32
Overseas to CONUS	1,032.62	619.07	822.13	479.84	289.56
B. Use rate (8:Q12,Q13)					
CONUS to CONUS-before move	.3938	.3135	.2454	.1773	.1833
CONUS to CONUS-after move	.5283	.5824	.3190	.2358	.4518
CONUS to overseas	.0939	.0965	.1779	.1286	.0643
Overseas to CONUS	.1430	.0857	.2863	.2660	.1302
C. Expected Costs by rank group					
CONUS to CONUS-before move	\$103.84	\$ 66.37	\$ 67.75	\$ 40.18	\$ 36.79
CONUS to CONUS-after move	392.41	284.49	218.29	94.09	102.87
CONUS to overseas	32.79	36.10	64.92	38.08	14.62
Overseas to CONUS	147.67	53.05	235.38	127.64	37.70
Adjust for house hunting allowance	<u>-36.09</u>	<u>-33.24</u>	<u>-73.28</u>	<u>-42.97</u>	<u>-11.20</u>
Total	\$640.62	\$406.77	\$513.06	\$257.02	\$180.69

Table D.1. Computation of Weighted Average Incremental Cost Factors, Temporary Lodging Expenses

	Senior Officers	Junior Officers	Senior Enlisted	Mid Enlisted	Junior Enlisted
D. Weighted average incremental cost by rank group					
Army	\$197.38	\$281.44	\$ 55.62	\$153.00	\$53.54
Navy	224.92	263.95	49.51	148.61	58.78
Marine Corps	170.85	298.28	41.92	107.92	90.56
Air Force	226.84	262.73	55.98	150.95	54.86
	Officer		Enlisted		
E. Officer/enlisted weighted average incremental cost factor					
Army		\$478.82		\$262.16	
Navy		488.87		256.90	
Marine Corps		469.13		240.40	
Air Force		489.57		261.79	

Table D.1. (Continued)

APPENDIX E

Weighted Average Incremental Cost Factors Real Estate Transactions

Table E.1 illustrates the computation of the weighted average incremental cost factors for real estate transactions used in Chapter IV. Part A is the estimated cost of realtor fees and other costs reported by respondents to the 1984 PCS Cost Survey. Reported costs were adjusted where they exceeded the selling and buying limitations that would be imposed as part of the authorization for reimbursement. Part B is the use rate reported by respondents who sold a permanent residence and/or incurred real estate transactions costs incident to their PCS move. Part C, the product of the adjusted costs in Part A and the estimated use rate in Part B, is the expected cost for each rank group. Part D reflects the expected cost for each rank group weighted for its relative size within each service's total officer or enlisted manpower structure. These factors are the product of the weighting factors in Appendix B and the expected costs in Part C. Part E, the sum of the expected costs for officer or enlisted PCS moves in Part D, is the weighted average incremental cost factor used in Chapter Four.

	Senior Officers	Junior Officers	Senior Enlisted	Mid Enlisted	Junior Enlisted
A. Average cost incurred					
Selling price-old residence (8:0101)	\$99,566.75	\$74,218.81	\$63,504.00	\$62,538.60	
Realtor fees (6.5%)	6,471.84	4,824.22	4,127.76	4,065.01	
Closing costs-old residence (8:093)	2,038.05	1,472.01	1,565.24	1,559.60	
Closing cost-new residence (8:094)	3,300.87	2,529.69	2,428.47	1,780.83	4,060.67
Lease costs-old residence (8:016)	287.40	182.31	227.01	169.96	136.39
B. Use rate (8:016,093,094,0101)					
Realtor fees	.3202	.1388	.1299	.0576	
Closing costs-old residence	.3031	.1356	.1176	.0417	
Closing costs-new residence	.3479	.2082	.1697	.0780	.0096
Lease costs-old residence	.0534	.0933	.0706	.1206	.0740
C. Expected costs by rank group					
Realtor fees-old residence	\$2,072.28	\$ 669.60	\$ 536.20	\$ 234.14	
Closing costs-old residence	617.73	199.60	184.07	65.04	
Closing costs-new residence	1,148.37	526.68	412.11	138.90	\$ 38.98
Lease costs-old residence	<u>15.35</u>	<u>17.01</u>	<u>16.03</u>	<u>20.50</u>	<u>10.09</u>
Total	\$3,853.73	\$1,412.89	\$1,148.41	\$ 458.58	\$ 49.07

Table E.1. Computation of Weighted Average Incremental Cost Factors, Real Estate Transactions

	Senior Officers	Junior Officers	Senior Enlisted	Mid Enlisted	Junior Enlisted
D. Weighted average incremental cost by rank group					
Army	\$1,187.33	\$ 977.58	\$124.49	\$272.99	\$14.56
Navy	1,353.05	916.83	110.82	265.15	15.96
Marine Corps	1,027.79	1,036.07	93.83	192.56	24.46
Air Force	1,364.61	912.59	125.29	269.32	14.90
	Officer		Enlisted		
E. Officer/enlisted weighted average incremental cost factor					
Army		\$2,164.91		\$412.04	
Navy		2,269.88		391.93	
Marine Corps		2,063.86		310.85	
Air Force		2,277.20		409.51	

Table E.1. (Continued)

APPENDIX F

Weighted Average Incremental Cost Factors Relocation Income Taxes

Computation of the weighted average incremental cost factors was done by using the following general equation prescribed for this purpose by the JTR.

Where I = Combined federal/state/local marginal tax rate

R = Covered reimbursements

D = Deductible moving expenses

Z = Relocation income tax allowance

Then $Z = (R - D) \times I$ (6:16-19, 16-20)

The federal marginal tax rates were estimated based on the range of 1984 annual base pay for each rank group and the marginal tax rates prescribed in the JTR. These rates were increased by four percentage points to reflect the impact of state and/or local taxes.

Covered reimbursements include the DLA, house hunting allowance, temporary living allowances, and the real estate transaction allowance. The amounts shown for DLA reimbursements were extracted from the 1984 PCS Cost Survey. House hunting and

temporary living reimbursements were estimated based on the average costs contained in Part A of Table C.1 and Part A (CONUS to CONUS moves) of Table D.1. Covered reimbursements for real estate transactions are from Part A of Table E.1 (excluding lease costs).

Allowable deductions for all reimbursements except the DLA are the lesser of average costs or the maximum deduction prescribed by the IRS. Since there is no limit on deductions from the DLA, the costs shown were estimated based on data contained in the PCS Cost Survey.

The difference between covered reimbursements and allowable deductions is taxable and reimbursable to the member. Table F.1 shows the estimated average relocation income tax reimbursements for the hypothetical move described in Chapter Four.

Table F.2 shows the computation of the weighted average incremental cost factors used in Chapter Four. The average relocation income tax reimbursements shown in Part A were taken from Table F.1. Estimated use rates were extracted from Appendices C through D. Part C shows the expected cost for each rank group. It is the product of the average costs in Part A and the estimated use rate in Part B. Part D reflects the expected cost for each rank group weighted for its relative size within each service's total officer or enlisted manpower structure. These factors are the product of the weighting

factors in Appendix B and the expected costs in Part C. Part E, the sum of the expected costs for officer or enlisted PCS moves in Part D, is the average incremental cost factor for officer and enlisted PCS moves used in Chapter Four.

	Senior Officers	Junior Officers	Senior Enlisted	Mid Enlisted	Junior Enlisted
A. Reimbursements versus IRS limits					
DLA (8:086)	\$ 955.74	\$ 597.32	\$ 649.53	\$ 484.74	\$ 174.34
Allowable deductions	<u>353.71</u>	<u>247.91</u>	<u>373.90</u>	<u>384.95</u>	<u>301.56</u>
Amount taxable	\$ 602.03	\$ 349.41	\$ 275.60	\$ 99.79	\$ -127.22
House hunting/temporary living	\$1,776.97	\$1,325.83	\$1,654.49	\$1,274.91	\$ 922.75
Allowable deductions	<u>1,500.00</u>	<u>1,325.83</u>	<u>1,500.00</u>	<u>1,274.91</u>	<u>922.75</u>
Amount taxable	\$ 276.97	\$ 0	\$ 154.49	\$ 0	\$ 0
Real estate transactions	\$8,509.89	\$6,296.22	\$5,693.00	\$5,624.61	\$4,060.67
Allowable deductions	<u>1,500.00</u>	<u>1,674.17</u>	<u>1,500.00</u>	<u>1,725.09</u>	<u>2,077.25</u>
Amount taxable	\$7,009.89	\$4,622.05	\$4,193.00	\$3,899.52	\$1,983.42
B. Estimated marginal tax rate	.30	.21	.21	.18	.15
C. Estimated average reimbursements					
DLA	\$ 180.61	\$ 73.38	\$ 57.88	\$ 17.96	\$
House hunting/temporary living	83.09		32.44		
Real estate transactions	2,102.97	970.63	880.53	701.91	297.51

Table F.1. Relocation Income Tax Reimbursements

	Senior Officers	Junior Officers	Senior Enlisted	Mid Enlisted	Junior Enlisted
A. Average income tax reimbursement					
DLA	\$ 180.61	\$ 73.38	\$ 57.88	\$ 17.96	\$
House hunting/temporary living	83.09		32.44		
Real estate transactions	2,102.97	970.63	880.53	701.91	297.51
B. Use rate					
DLA	.8751	.7636	.8160	.6879	.3634
House hunting/temporary living	.5128		.3594		
Real estate transactions	.3479	.2082	.1697	.0780	.0096
C. Expected Costs by rank group					
DLA	\$158.05	\$ 56.03	\$ 47.23	\$ 12.35	\$ 2.86
House hunting/temporary living	42.61		11.65		
Real estate transactions	<u>731.62</u>	<u>202.09</u>	<u>149.43</u>	<u>54.75</u>	<u> </u>
Total	\$932.28	\$258.12	\$208.32	\$ 67.10	\$ 2.86
D. Weighted average incremental cost by rank group					
Army	\$287.24	\$178.59	\$ 22.58	\$ 39.95	\$.85
Navy	327.32	167.49	20.10	38.80	.93
Marine Corps	248.64	189.27	17.02	28.17	1.43
Air Force	330.12	166.72	22.73	39.41	.87

Table F.2. Computation of Weighted Average Incremental Cost Factors, Relocation Income Taxes

	Officer	Enlisted
E. Officer/enlisted weighted average incremental cost factor		
Army	\$465.83	\$63.38
Navy	494.81	59.83
Marine Corps	437.91	46.62
Air Force	496.84	63.01

Table F.2. (Continued)